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GOVERNOR

STATE OF MICHIGAN
OFFICE OF FINANCIAL AND INSURANCE SERVICES
DEPARTMENT OF LABOR & ECONOMIC GROWTH
KEITH W. COOLEY, DIRECTOR

KEN ROSS
ACTING COMMISSIONER

Memorandum

DATE: December 12, 2007

TO: All interested parties

FROM: Ken Ross, Acting Commissioner,
Office of Financial and Insurance Services

SUBJECT: Determination of Degree of Competition in Workers' Compensation Insurance Market

Pursuant to MCL 500.2409, I have determined that a reasonable degree of competition in the workers' compensation insurance statewide market exists. Over the past couple of years, there were indications of a softening of the workers' compensation market underwriting cycle. Those signs continued in 2006.

When comparing 2006 policy data to that of 2005, a decrease of 1351 policies placed through the Assigned Risk Facility occurred, in addition to a decrease in payroll of \$240 million. A decrease in Premium in the Facility of \$16 million or 17 percent transpired in 2006 over the previous year. For the first time this decade, the past two years (2006 and 2005) show the first decrease in Facility payroll and premium. Based on the data submitted by the Compensation Advisory Organization of Michigan (CAOM), it is readily apparent that the workers' compensation insurance market became more competitive last year.

The workers' compensation market is not controlled by one carrier. We continue to see a rich variety of competitors wanting to write workers' compensation insurance, up 11 to 251 in 2006. Existing data indicates a significant disparity in rates when looking at average manual rates and ranges. While the Accident Fund Insurance Company continued to be the largest writer in the voluntary market of workers' compensation insurance at \$259 million, its market share decreased by 3 percent over the 27 percent share it held in 2005. A four percent market share was the next highest percentage any company controlled of the statewide voluntary market premium.

Generally speaking, only those employers engaged in a unique type of business enterprise found it necessary to obtain coverage in the pool more often than in the voluntary market.

Based on the data submitted and other information available to this agency, it is my conclusion that the market for workers' compensation insurance is competitive.